ORIENTAL INFRATRUST

VALUATION REPORT OF BDHPL

OCTOBER 2022

STRICTLY PRIVATE & CONFIDENTIAL

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Private & Confidential
October 20, 2022
Ref no: LM/Oct203/2022

To,
Oriental InfraTrust, ("the Trust")
Acting through Axis Trustee Service Limited (In its capacity as the "Trustee" of the Trust
3rd Floor, Plot no. 8, Sector B-7, Local Shopping Complex, Vasant Kunj, New Delhi – 110 070

Dear Sir(s)/Madam(s),

Subject: Valuation of BDHPL

We, BDO Valuation Advisory LLP ("BDO Val" or "We" or "Us"), have been appointed vide letter, by Oriental InfraTrust ("OIT" or "the Client") to undertake valuation of BDHPL ("InvIT Asset" or "Trust Asset" or "the SPV") for internal assessment purpose.

We have carried out the valuation as on October 20, 2022 ("Valuation Date") considering various data as stated in the 'Sources of information' section in the report. A summary of the analysis is presented in the accompanying report, as well as description of the methodology and procedure we used, and the factors we considered in formulating our opinion. In addition, we have listed the sources of information used in this report and the scope of work in the course of our assignment, noting any limitations on our assignment. This report is subject to the attached exclusions & limitations and to all terms and conditions in the engagement letter for this assignment. This valuation report is in relation to information provided by the Client and the SPV.

Should you require further information or clarifications, please feel free to contact us.

Regards

For BDO Valuation Advisory LLP

IBBI No.: IBBI/RV-E/02/2019/103

BDO VALUATION ADVISORY LLP

Lata R Gujar More

Partner & Leader

IBBI Regn No.: IBBI/RV/06/2018/10488

VRN No: IOVRVF/BDO/2022-2023/1184

DEFINITIONS, ABBREVIATIONS AND GLOSSARY OF TERMS

Abbreviation	Meaning
OSEPL or Sponsor 1	Oriental Structural Engineers Private Limited
OTPL or Sponsor 2	Oriental Tollways Private Limited
You or Client or Trust	Oriental InfraTrust
Investment Manager or IM	Indian Technocrat Limited
the Management	The Management of the Trust
Trustee	Axis Trustee Services Limited
ECKHPL or Etawah Chakeri Project	Etawah-Chakeri (Kanpur) Highway Private Limited
OPIPL or Indore Khalghat Project	Oriental Pathways (Indore) Pvt. Ltd.
OHHPL or Hungund Hospet Project	OSE Hungund Hospet Highways Pvt. Ltd.
ONBHL or Nagpur Betul Project	Oriental Nagpur Betul Highway Ltd.
ONBPCPL or Nagpur Bypass Project	Oriental Nagpur Bye Pass Construction Pvt. Ltd.
BDHPL	Biaora to Dewas Highway Private Limited
InVIT	Infrastructure Investment Trust
BDO VAL, we, our, us	BDO Valuation Advisory LLP
EPC	Engineering, Procurement and Construction
BOT	Build, Operate and Transfer
EqV	Equity Value

Abbreviation	Meaning
SPVs	ECKHPL, OPIPL, OHHPL, ONBHL,ONBPCPL and BDHPL
NH	National Highway
SH	State Highway
NHDP	National Highways Development Project
DBFOT	Design, Build, Finance, Operate, Transfer
HUDCO	Housing and Urban Development Corporation
PPP	Public Private Partnership
MDR	Major district roads
ODR	Other district roads
PMGSY	Pradhan Mantri Gram Sadak Yojana
IBEF	India Brand Equity Foundation
Km	Kilometer
D/E ratio	Debt to Equity Ratio
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax and depreciation
EV	Enterprise Value
EPC	Engineering, Procurement and Construction
BOT	Build, Operate and Transfer
EqV	Equity Value

DEFINITIONS, ABBREVIATIONS AND GLOSSARY OF TERMS

Abbreviation	Meaning
PCU	Passenger Car Equivalent
CA	Concession Agreement
WPI	Wholesale Price Index
FCFF	Free Cash Flows to Firm
MAT	Minimum Alternative Tax
NHAI	National Highways Authority of India
COD	Commercial Operation Date
GDP	Gross Domestic Product
GVA	Gross Value Added
IRR	Internal rate of return
NAV	Net Asset Value
PAT	Profit After Tax
HAM	Hybrid-Annuity Model
TOT	Toll Operate and Transfer
OMT	Operate-Maintain-Transfer
CAGR	Compounded Annual Growth Rate
MCLR	Marginal Cost of Lending Rate
MoRTH	Ministry of Road Transport & Highways

CONTENTS

SECTION 1

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Terms of Engagement:

- We have been appointed by Oriental InfraTrust ("OIT" or "the Client" or "the Trust") to undertake valuation of BDHPL ("InvIT Asset" or "Trust Asset" or "the SPV") for internal assessment purpose.
- As per the Engagement Letter between BDO Val and OIT, the valuation is to be carried out as on October 20, 2022. This report (the "Report") has been prepared by BDO Val pursuant to terms of Engagement Letter between BDO Val and OIT including the terms and conditions set out therein.

Purpose of Valuation:

- We have been appointed by OIT to undertake valuation of BDHPL as on October 20, 2022.

Particulars	NH/SH	Tollable Length (km)	Execution of CA	Expected Concession End Date
Biaora Dewas Project	NH 52	141.26 km	July 9, 2016	August 12, 2043

Valuation Approach & Methodology:

- For the current valuation, we have considered following Valuation Approach & Methodology:

Valuation	Methodology
Income Approach	Discounted Cashflow ("DCF") Method

Valuation Summary:

- The Enterprise Value (EV) and Equity Value ("EqV") of BDHPL has been arrived as under as on October 20, 2022:

Particulars	Amount (INR Cr)
Enterprise Value (EV)	3,654.2
Equity Value (EqV)	2,391.9

SECTION 2

SOURCES OF INFORMATION

SOURCES OF INFORMATION

Sources of Information:

For the purpose of undertaking this valuation exercise, we have relied on the following sources of information:

- Company specific information – The following information as provided by the management of the Trust ("the Management"), verbally or in written form have been inter alia used in valuation:
  - Audited financial statements as per Indian Accounting Standard ("Ind AS") of BDHPL for Financial Year ("FY") FY2018, FY 2019, FY 2020, FY 2021 and FY 2022;
  - Provisional financial statements as per Ind AS of BDHPL for period ended October 20, 2022;
  - Projected profit & loss statement, balance sheet and cash flow statement of BDHPL from October 21, 2022 to the Concession end date;
  - Income Tax Return for BDHPL for AY 20-21 and computation of advance tax paid for AY 22-23;
  - Details of brought forward losses and unabsorbed depreciation as on March 31, 2022;
  - Concession Agreements entered with NHAI for BDHPL;
  - Financial and Tax Due Diligence Report dated August 2021 carried out by Deloitte; and
  - Revenue and Traffic Due Diligence Report issued by independent consultants of BDHPL;
  - Major Maintenance Agreement between Axis Trustee Service Limited, OIT Infrastructure Management Ltd., Oriental Structural Engineers Pvt. Ltd. And BDHPL;
- Relevant data and information provided by the management and representatives of the Trust either in written or oral form or in form of soft copy.
- Other industry related information available in public domain and international databases.

SECTION 3

EXCLUSIONS AND LIMITATIONS

EXCLUSIONS AND LIMITATIONS

Context and Purpose:

- We have been mandated by the Trust, vide engagement letter, to undertake valuation of BDHPL.
- The valuation exercise and the Report are solely for the Purpose mentioned herein. As informed by the Trust, the cut-off date for the present valuation exercise is October 20, 2022 based on the information and explanation made available to us.
- The market parameters for the valuation exercise are taken upto October 18, 2022

Restricted Audience:

- This report and the information contained herein are absolutely confidential and are intended for the use of the Client and only in connection with the purpose set out in the report.
- It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without our written consent. In the event the Client or its management extend the use of the report beyond the purpose mentioned earlier in the report, with or without our consent, we will not accept any responsibility to any other party (including but not limited to the Investors and Merchant Bankers, if any) to whom this report may be shown or who may acquire a copy of the report.

Limitation Clause:

- Our report is subject to the limitations detailed hereinafter. This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- The scope of the assignment did not include performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was used during the course of the work. Further, conducting a financial or technical feasibility study was also not covered.
- During the course of our work, we have relied upon assumptions and projections related to the SPV made by the management of the sponsors/Trust. These assumptions require exercise of judgment and are subject to uncertainties. Also, we have relied on the technical due diligence and traffic due diligence report referred in 'Sources of Information' in Section II of the Report.
- Further, this valuation report is based on the extant regulatory environment and the financial, economic, monetary and business/market conditions, and the information made available to us or used by us up to, the date hereof, which are dynamic in nature and may change in future, thereby impacting the valuation of the SPV. Subsequent developments in the aforementioned conditions may affect this report and the assumptions made in preparing this report and we shall not be obliged to update, review or reaffirm this report if the information provided to us changes. The information presented in this valuation report does not reflect the outcome of any due diligence procedures, which may change the information contained herein and, therefore, the valuation report materially
- Valuation is not a precise science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different value on the SPV.

EXCLUSIONS AND LIMITATIONS

- The recommendation rendered in the Report only represent our recommendation based upon information furnished by the Trust (or its executives/representatives) and other sources.
- Valuation is based on estimates of future financial performance or opinions that represent reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as or as assurances that a particular level of income or profit will be achieved, that events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates, and the variations may be material.
- The realization of these projections is dependent on the continuing validity of the assumptions on which they are based. Since the projections relate to the future, actual results are likely to be different from the projected results in case of events and circumstances not occurring as projected and the differences may be material. Our work did not constitute a validation of the financial projections of the SPV under consideration and accordingly, we do not express any opinion on the same. We have not commented on the appropriateness of or independently verified the assumptions or information provided to us, for arriving at the financial projections. Further, while we have discussed the assumptions and projections with the management of the Trust/Sponsors, our reliance on them for the purpose of valuation should not be construed as an assurance about the accuracy of the assumptions or the achievability of the financial projections.
- This Report is based on information received from sources mentioned herein and discussions with the management of the Trust/Sponsors. This information has not been independently verified by us. We have assumed that the Trust/Sponsors has furnished to us all information, which it is aware of concerning the financial statements and respective liabilities, which may have an impact on our Report.
- We have not made any independent verification with respect to the Sponsor's claim to title of assets or property for the purpose of this valuation. With respect to claim to title of assets or property, we have solely relied on representations, whether verbal or otherwise, made by the Management to us for the purpose of this Report.
- For the present valuation exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.
- Whilst, all reasonable care has been taken to ensure that facts stated in the report are accurate and opinions given are fair and reasonable, neither us, nor any of our Partners or Employees shall in any way be responsible for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this Report. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on the part of the Company, its directors, employees or agents.
- In the particular circumstances of this case, we shall be liable only to the Sponsors, the Trust and the Investment Manager. We shall have no liability (in contract or under statute or otherwise) to any other party for any economic loss or damage arising out of or in connection with this engagement, however the loss or damage is caused other than in cases of fraud, gross negligence or willful misconduct, shall be limited to the amount of fees actually received by us as laid out in the engagement letter, for such valuation work.
- This Report does not look into the business / commercial reasons behind the transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of investing in the SPV as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives, or whether or not such alternatives could be achieved or are available. The assessment of commercial and investment merits of the SPV are sole responsibility of the investors of the Trust and we do not express our opinion on the suitability or otherwise of entering into any financial or other transactions with the SPV, Investment Manager, the Trust or the Sponsors.

EXCLUSIONS AND LIMITATIONS

- We are not advisor with respect to legal, tax and regulatory matters for the Offering. No investigation of the SPV's claim to title or assets has been made for the purpose of this Report and the SPV's claim to such rights have been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- The valuation analysis in this Report should not be construed as investment advice; specifically, and we do not express any opinion on the suitability or otherwise of entering into any financial or other transactions with the Investment Manager, the Trust or the SPV.
- The estimate of value contained herein are not intended to represent value of the SPV at any time other than the dates specifically mentioned for each valuation result, as per the agreed scope of engagement.
- A draft of this report was shared with the Client, prior to finalization of report, for confirmation of facts, key assumptions and other representations.

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SECTION 4

OVERVIEW OF THE SPV

BIAORA TO DEWAS HIGHWAY PRIVATE LIMITED ("BDHPL")

Background:

- Biaora To Dewas Highway Private Limited is a subsidiary of Oriental Structural Engineers Private Limited, a Delhi - based infrastructure firm.
- The company is a special purpose vehicle that was set up for improvement, operation and maintenance, rehabilitation and strengthening of the existing 2-lane and widening it to 4-lane divided highway of Bioara to Dewas Section of NH 52 on design, build, finance, operate and transfer (DBFOT) basis from Kms 426.100 to kms 566.450 in the state of Madhya Pradesh.
- The Biaora-Dewas Project was awarded by the NHAI for a Concession Period of 27 years starting from Appointed Date on July 9, 2016.

Source: Management of the Trust

BIAORA TO DEWAS HIGHWAY PRIVATE LIMITED (“BDHPL”)

Key Details of the Project:

- The toll collection commenced from the commercial operation date i.e. July 9, 2016. The first and the second Provisional Completion certificates were received on April 30, 2019 and December 30, 2019 respectively. The final COD was received in July 2020,
- The key details of Biaora-Dewas Project are as follows:

Particulars	Biaora To Dewas Highway Private Limited
State	Madhya Pradesh
NH/SH	NH 52 (Old NH 3)
Project lane	4 lane
PPP mode	DBFOT
Appointed date	July 9, 2016
Provisional Commercial Operation Date	First PCOD (107.750 km) : April 30, 2019 Second PCOD (133.865 km) : December 30, 2019 Final COD : July 22, 2020
Commercial Operation Date	July 22, 2020
Concession period	27 years
Scheduled Concession End Date	July 9, 2043
Revised Concession End Date	August 12, 2043
Grant[1]	INR 252.89 Cr
Tollable Length (km)	Km 141.260
Toll Plaza	2 Nos. TP-1: km 60.06 - Chappra TP-2: km 81.21 - Rojwas
Design Capacity	60,000 PCUs
Target Traffic Date	April 1, 2025
Target Traffic	21,711 PCU

- Grant of INR 252.89 Cr was payable to BDHPL as per CA, out of which grant of INR 251.1 Cr was received till December 2021. As per draft ROFO agreement with the Sponsors, the balance grant will be given to the Sponsors as and when received from NHAI.

SECTION 5

VALUATION APPROACH

VALUATION APPROACH

The present valuation exercise is being undertaken in order to determine the fair value of the SPV.

There are three generally accepted approaches to valuation:

- "Cost" Approach
- "Market " Approach
- "Income" Approach

Within these three basic approaches, several methods may be used to estimate the value. An overview of these approaches is as follows:

a) Cost Approach:

- The cost approach values the underlying assets of the business to determine the business value. This valuation method carries more weight with respect to holding companies than operating companies. Also, asset value approaches are more relevant to the extent that a significant portion of the assets are of a nature that could be liquidated readily if so desired.

Net Asset Value Method

- The Net Asset Value ("NAV") method under cost approach, consider the assets and liabilities, including intangible assets and contingent liabilities. The net assets, after reducing the dues to the preference shareholders, if any, represent the value of the company.
- NAV method is appropriate in a case where the major strength of the business is its asset base rather than its capacity or potential to earn profits.
- This valuation approach is mainly used in cases where the asset base dominates earnings capability.
- As an indicator of the total value of the entity, the net asset value method has the disadvantage of only considering the status of the business at one point in time.
- Additionally, net asset value does not properly take into account the earning capacity of the business or any intangible assets that have no historical cost. In many respects, net asset value represents the minimum benchmark value of an operating business.

Summation Method

- 'Summation Method or Underlying Assets Method' is typically used for valuing investment companies or other type of assets or entities for which value is primarily a factor of the values of their holdings.
- The following key steps for valuing an entity under Summation Method –
  - value each of the component assets that are part of the subject asset using the appropriate valuation approaches and methods, and
  - add the value of the component assets together to reach the value of the subject asset.

VALUATION APPROACH

b) Market Approach:

Market Price Method

- Under this approach, the market price of an equity share as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded. The market value generally reflects the investors' perception about the true worth of the company.

Comparable Companies Multiple Method

- Under the Comparable Companies Multiple ("CCM") method, the value is determined on the basis of multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

- To the value of the business so arrived, adjustments need to be made for the value of contingent assets/liabilities, surplus Asset and dues payable to Preference Shareholders, if any, in order to arrive at the value for equity shareholders.

Comparable Transactions Multiple Method

- Under the Comparable Transactions Multiple ("CTM"), the value of a company can be estimated by analyzing the prices paid by purchasers of similar companies under similar circumstances. This is a valuation method where one will be comparing recent market transactions in order to gauge current valuation of target company.

c) Income Approach:

- The Income approach focuses on the income prospects of a company.

Discounted Cash Flow Method

- Under the Discounted Cash Flow ("DCF") method, the value of the undertaking is based on expected cash flows for future, discounted at a rate, which reflects the expected returns and the risks associated with the cash flows as against its accounting profits. The value of the undertaking is determined as the present value of its future free cash flows.

- Free cash flows are discounted for the explicit forecast period and the perpetuity value thereafter. Free cash flows represent the cash available for distribution to both, the owners and creditors of the business.

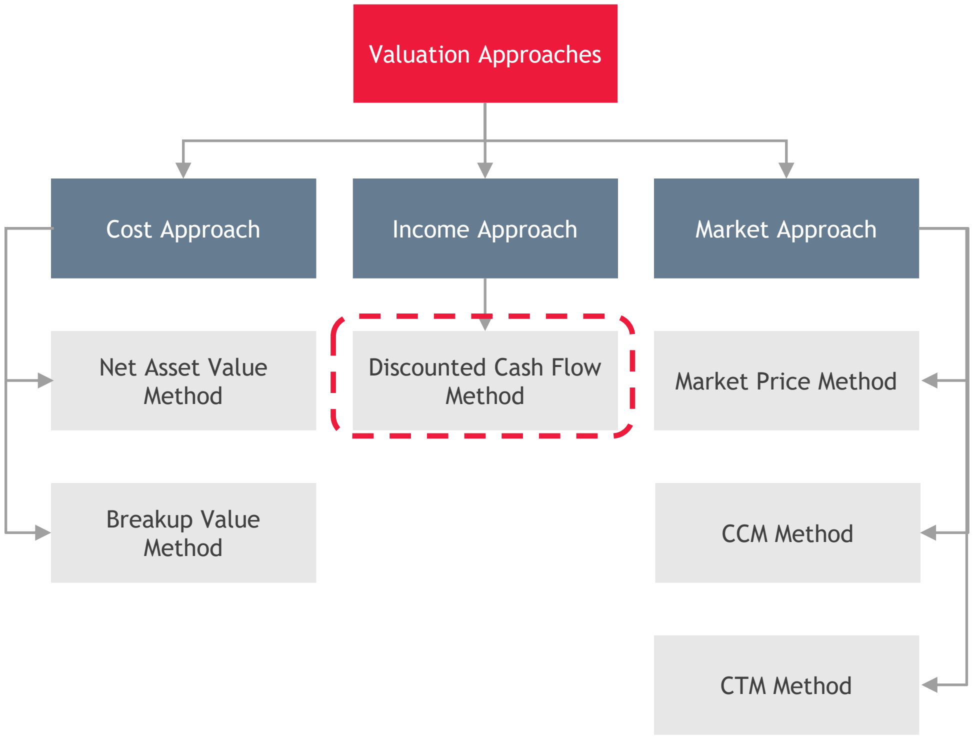
- Discount rate is the Weighted Average Cost of Capital ("WACC"), based on an optimal vis-à-vis actual capital structure. It is appropriate rate of discount to calculate the present value of future cash flows as it considers equity-debt risk and also debt-equity ratio of the firm.

- The perpetuity (terminal) value is calculated based on the business's potential for further growth beyond the explicit forecast period. The "constant growth model" is applied, which implies an expected constant level of growth (for perpetuity) in the cash flows over the last year of the forecast period.

- The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business's future operations.

- The Business/Enterprise Value so derived, is further reduced by value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of business. The Surplus Assets / Non Operating assets are also adjusted.

SELECTED VALUATION APPROACH



Rationale for Valuation Approaches & Methodologies :

- **Cost Approach:** This valuation approach is mainly used in cases where the asset base dominates earnings capability. Thus, cost approach has not been considered for the present valuation exercise.
- **Income Approach:** The Discounted cash flow method takes into account the specific strength of the company to be valued and represents the expected performance of the company based on its projections including the incremental working capital and capital expenditure requirement to achieve the projections. In the current case, the value of the SPV would be reflected in its future earnings potential. Hence, the DCF Method under the income approach has been considered as an appropriate method for the valuation of the SPV.
- **Market Approach:** As BDHPL is not listed on any recognized stock exchange, the market price method of valuation was not considered. Since current valuation is for specific projects in an SPV (BOT and Annuity based projects), CCM Method and CTM Method for the present valuation analysis exercise are not considered as each SPV has different concession period, geographical differences which are not identical to the listed companies.

SECTION 6

VALUATION ANALYSIS

VALUATION ANALYSIS

- As mentioned in Section VI, the value of undertaking is determined based on the future cash flow to be generated by each SPV for the remaining concession period.
- These cash flows have been estimated based on the projected financial information provided by the Management. The assumptions for arriving these cash flows are discussed separately in each SPV section.
- The assumptions considered for the projections are management's best estimate of the range of economic conditions that will exist over the remaining useful life of the assets i.e. remaining agreed concession period for each SPV, capturing growth prospects and earning capabilities.
- The financial forecast provided by the Management has been reviewed for consistency and reasonableness and we have relied on the estimates provided.
- The other key assumptions considered in DCF method is determination of an appropriate rate to discount the future cash flows. The Free Cash Flows to Firm ("FCFF") have been calculated for each SPV as on the Valuation Date based on the financial projections provided by the Management.
- FCFF refers to cash flows that are available to all the providers of capital, i.e. equity shareholders, preference shareholders and lenders.
- In FCFF, the free cash flows available to the firm are discounted by Weighted Average Cost of Capital (WACC) to arrive the net present value and terminal period cash flows. For present valuation analysis exercise, Capital Asset Pricing Model (CAPM) is considered for the calculation of Cost of Equity.

Cost of Equity:

- Cost of Equity ("Ke") is a discounting factor to calculate the present value of the net free cash flows to equity of the entity, which will be used to calculate its equity value. The present value is determined by discounting the net free cash flows to equity by Ke.
- The returns expected by the equity depend on the perceived level of risk associated with the business and the industry in which the business operates.
- For this purpose, Capital Asset Pricing Model (CAPM) is used, which is a commonly used model to determine the appropriate cost of equity.
- The CAPM can be defined as follows:

  Ke = Rf + (Rp * Beta) + CSRP

  Wherein:

  Ke = cost of equity

  Rf = risk free rate

  Rp = risk premium

  Beta = a measure of the sensitivity of assets to returns of the overall market

  CSRP = Company Specific Risk Premium

Note 1(a): Risk Free Rate (Rf)

- The risk free rate of return is based on yields of 10 year zero coupon bond yield as on October 18, 2022 and as listed on www.ccilindia.com. In the present case, the risk free rate of return is arrived at 7.4%.

VALUATION ANALYSIS

Note 1(b): Market Return (Rm)

- Market Return is a measure of rate of return that investors earns by investing in equity markets. It is calculated based on the average historical market return. In the present case, the market return is considered at 15%.

Note 1(c): Risk Premium (Rp)

- Risk premium is a measure of premium that investors require for investing in equity markets rather than bond or debt markets. A risk premium is calculated as follows:
- Risk premium = Equity market return (Rm) – Risk free rate (Rf)

- In the present case, the risk premium is arrived at 7.6%.

Note 1(d): Beta

- Beta is a measure of the sensitivity of a company's stock price to the movements of the overall market index. For present valuation analysis exercise, the comparable companies that are engaged in primarily construction and operation of road assets in India are considered.

- Beta of the following companies engaged in construction and operation of road assets in India, are considered for present valuation analysis:
  - IRB Infrastructures Developers Limited
  - PNC Infratech Limited
  - IRB InvIT Fund
  - MEP Infrastructure Developers Limited

  We have not considered Ashoka Buildcon Ltd. for beta since the company has sold majority of its BOT project portfolio durning FY22.

WACC:

- The discount rate for arriving at the present value of the Free Cash Flows to the Firm is the Weighted Average Cost of Capital ("WACC").

- The WACC is derived as follows:

  WACC = Ke * [E/(D+E)] + Kd *(1-t) *[D/(D+E)]

  Wherein:

  Ke = cost of equity

  E/(D+E) = equity / total capital

  Kd = cost of debt

  T = tax rate

  D/(D+E) = debt / total capital

- The assumptions for the WACC considered for each individual SPV is stated in each SPV section.

36.35- days Extension in concession period as a relief on account of impact of Covid-19 pandemic:

- As per Revenue and Traffic Due Diligence Report issued by independent consultant dated August 2022, BDHPL had claimed for 90 days extension towards COVID-19 first wave related lockdown as per NHAI's policy circular while NHAI has recommended 35.36 days as per CA. Hence, the extension of 36.35 days is considered.

SECTION 7

VALUATION OF THE SPV

VALUATION OF THE SPV

BIAORA TO DEWAS HIGHWAY PRIVATE LIMITED (“BDHPL”)

Key Inputs in Projections:

The key inputs of the projections provided by the Management are as follows:

- *BDHPL had claimed for 90 days extension for COVID-19 related lockdown as per NHAI’s policy circular while NHAI has recommended 35.36 days extension as per CA. Hence, the revised concession end date is considered as August 12, 2043 as per Revenue and Traffic Due Diligence report carried out by independent consultant dated August 2022.

Particulars	Unit	Details
Target date as per CA	Date	April 01, 2025
Target traffic as per CA	PCUs	21,711
Projected traffic as on Target date	PCUs	30,973
Comparison of average traffic at test date with target	%	43%
Original concession period	years	27
Decrease in concession period	%	10%
Change in concession period	years	2.7
Revised concession period	years	24.3
Appointed date	Date	July 09, 2016
Original concession end date	Date	June 09, 2043
Extension due to COVID-19 related lockdown	Days	35.36
Revised concession end date*	Date	August 12, 2043

a) Modification in Concession Period

- As per the Clause 29.2.1 of the Concession Agreement between NHAI and BDHPL as provided by the Management, *“In the event Actual Average Traffic shall have fallen short of the target traffic, then for every 1% shortfall as compared to the target traffic, the Concession period shall, subject to payment of Concession Fee in accordance with this Agreement, be increased by 1.5% thereof; provided such increase in Concession period shall not in any case exceed 20% of the Concession period”*.

- The projected traffic as on the Target date is as per the traffic volumes provided by the Management supported by Revenue and Traffic Due Diligence report carried out by independent consultant dated August 2022. The projected traffic on April 01, 2025 is greater than the target traffic. The concession period on the basis of above clause shall be reduced.

- However, as per the CA, the Management has the option to retain the concession for the original concession period, by paying an additional premium of 25% to NHAI. The Management has opted to share revenue with NHAI.

- Thus, the explicit period for current valuation analysis exercise has been considered from October 21, 2022 to August 12, 2043.

b) Traffic Volume

- Traffic volumes as received from the Management supported by Revenue and Traffic Due Diligence report carried out by independent consultant dated August 2022 are considered.

c) Revenue

- Revenue forecast is as per latest draft Revenue and Traffic Due Diligence report prepared by an independent party. The revenue earned in FY22 and for the period ended October 20, 2022 is INR 203.9 Cr, and INR 129.9 Cr respectively.

VALUATION OF THE SPV

BIAORA TO DEWAS HIGHWAY PRIVATE LIMITED (“BDHPL”)

d) Toll rates

- The current toll rates provided by the Management has been validated from NHAI’s site on Toll Information system (www.tis.nhai.gov.in.) as well as toll notifications issued by NHAI shared by the Management

- The Management has considered annual revision of toll rate (user fees) which is in accordance to National Highway Fee (Determination of Rates and Collection) Rules, 2008 and amendment thereto dated December 3, 2010 whereby the base rate shall be increased without compounding by 3% p.a. and additionally, the applicable base rate shall be revised annually to reflect the increase in wholesale price index (“WPI”) but such revision shall be restricted to forty percent of the increase in WPI on overall basis during the concession period.

- WPI has been projected to grow by 11.1% in FY24, 5.4% in FY25 and 4.5% for the remaining concession period.

e) Periodic Maintenance & Routine Maintenance Costs

- Estimates for projected Periodic Maintenance & Routine Maintenance Costs from the Management supported by the Major Maintenance Agreement as mentioned in Sources of Information is considered.

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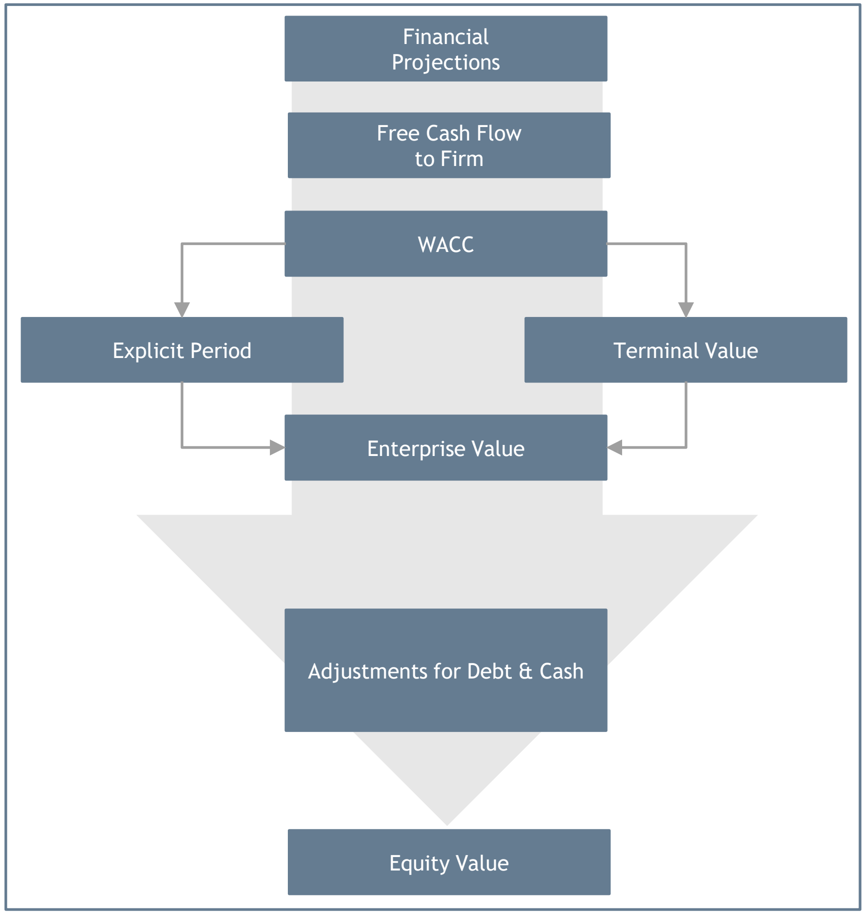
VALUATION OF THE SPV

BIAORA TO DEWAS HIGHWAY PRIVATE LIMITED (“BDHPL”)

Valuation of BDHPL by Discounted Cash Flow Method:

- The going concern projections as provided by the Management, for the period starting from October 21, 2022 to August 12, 2043, are considered for the purpose of valuation.
- The projections provided by the Management are based on Revenue and Traffic Due Diligence report. Further, revenue and traffic due diligence report are only the best estimates of growth and sustainability of profitability margins. However, we have not reviewed the logical consistencies and reasonableness of the financial forecast provided by the Management.
- We must emphasize that realizations of free cash flow forecast will be dependent on the continuing validity of the assumptions on which they are based. Our analysis, therefore, will not, and cannot be directed towards providing any assurance about the achievability of the final projections. Since the financial forecasts relate to future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences may be material.
- We have used the Free Cash Flows to Firm (“FCFF”) method under DCF to calculate the enterprise value of BDHPL. In FCFF, the free cash flows available are discounted by weighted average cost of capital (WACC) to derive the Enterprise Value. The detailed computation of WACC is given in the next page.
- The explicit period has been considered from October 21, 2022 to August 12, 2043.
- The tax computation as provided by the Management has been considered and reviewed to assess that the same has been calculated as per the provisions of the Income Tax Act, 1961.
- We have discounted the projected net cash flows to their present value using mid-year discounting convention. The use of mid-year convention better reflects the assumption that net cash flows will be generated throughout the year, rather than at the beginning or at the end of each year.
- We have not considered any terminal value since the project will end after the concession end date.
- The Enterprise value of BDHPL is arrived at INR 3,654.2 Cr as on October 20, 2022, determined as an aggregate of the present value of explicit period cash flows. The enterprise value is adjusted for cash & cash-equivalents, non-current tax assets and debt as on October 20, 2022 to arrived at equity value. The equity value is arrived at INR 2,391.9 Cr as on October 20, 2022.)

DCF Method



VALUATION OF THE SPV
BIAORA TO DEWAS HIGHWAY PRIVATE LIMITED (“BDHPL”)

Computation of WACC:

Particulars	Nil Tax Rate	Full Tax Rate	Explanation
Risk free return (Rf)	7.3%	7.3%	Risk free rate has been considered based on 10 years Zero coupon yield curve as at October 18, 2022 of Government Securities having maturity period of 10 years, as quoted on the website of CCIL.
Market Return (Rm)	15.0%	15.0%	Market Return has been considered based on the long term average returns earned by an equity investor investing in India.
Risk premium	7.7%	7.7%	Market Premium = Market Return - Risk Free Rate
Relevered Beta (β)	0.7	0.6	Unlevered Beta has been relevered to reflect Company's debt/equity ratio.
Cost of equity (CoE)	**12.8%**	**12.0%**	**Ke = Rf + β x (Rm-Rf)**
Cost of debt (I)	8.1%	8.1%	Kindly refer note below
Tax rate	0.0%	25.2%	Based on statutory corporate tax rate prevailing in India as on Valuation Date
Cost of debt net of tax (Kd)	**8.1%**	**6.1%**	**Kd = I * (1-t)**
Debt/(Debt + Equity)	60.0%	60.0%	Target long-term debt-equity ratio of comparable companies
WACC	10.0%	8.4%	WACC = Ke * E/ (D+E) + Kd * D/(D+E)
WACC (Adopted)	**10.0%**	**8.4%**	**After rounding off**

Note : BDHPL has 8.5% term loans from banks amounting to INR 498.1 Cr, 9.5% NCDs worth INR 789.2 Cr and Trust Loan worth INR 1,262.9 Cr at 7.1%. Hence the average Cost of debt of all the 3 loans is arrived at e 8.1%.

VALUATION OF THE SPV

BIAORA TO DEWAS HIGHWAY PRIVATE LIMITED ("BDHPL")

Valuation as per Discounted Cash Flow Method (INR Cr)											
WACC at nill tax rate	10.0%										
WACC under new tax regime	8.4%										
Year Ending	**FY23***	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**FY32**	**FY33**
Revenue	120.9	287.9	314.1	323.4	356.5	392.6	429.2	470.9	512.9	561.1	608.9
Cash EBITDA	107.7	261.0	286.1	294.1	325.9	360.6	395.8	435.9	476.3	522.8	568.7
EBITDA Margins		*90.7%*	*91.1%*	*90.9%*	*91.4%*	*91.9%*	*92.2%*	*92.6%*	*92.9%*	*93.2%*	*93.4%*
Less : Outflows											
Major Maintenance expenses	(1.6)	(1.7)	(22.3)	(2.2)	(2.3)	(12.3)	(2.5)	(28.5)	(2.8)	(2.9)	(3.0)
Change in MMRA	(1.5)	(12.4)	13.9	(1.1)	(6.0)	4.3	(15.6)	17.9	(0.1)	(0.1)	(0.1)
Interest on MMRA	0.4	0.5	0.4	0.0	0.2	0.3	0.6	0.6	0.0	0.0	0.0
Incremental Working Capital	(83.3)	-	-	-	-	-	-	-	-	-	-
CSR Expense	-	-	-	-	(0.5)	(1.1)	(2.0)	(3.2)	(4.4)	(5.5)	(6.6)
Taxation	-	-	-	-	-	(58.8)	(89.0)	(95.1)	(113.5)	(126.6)	(139.2)
Free Cash Flows (FCF)	**21.6**	**247.4**	**278.1**	**291.0**	**317.4**	**293.0**	**287.3**	**327.6**	**355.6**	**387.7**	**419.9**
Present Value Factor	1.0	0.9	0.8	0.8	0.7	0.6	0.6	0.5	0.5	0.5	0.4
Present Value of Cash Flows	**21.2**	**226.1**	**231.1**	**219.8**	**218.0**	**185.6**	**167.9**	**176.6**	**176.8**	**177.9**	**177.7**
Enterprise Value (EV)	**3,654.2**										
Other Adjustments as on Valuation Date											
Cash & cash equivalents	73.5										
Non-current tax assets (Net)	0.5										
Debt	(1,336.3)										
Equity Value (EqV)	**2,391.9**										

* Represents period from October 21, 2022 to March 31, 2023

Represents period from April 01, 2043 to August 12, 2043

VALUATION OF THE SPV

BIAORA TO DEWAS HIGHWAY PRIVATE LIMITED (“BDHPL”)

Valuation as per Discounted Cash Flow Method (INR Cr)											
Year Ending	FY34	FY35	FY36	FY37	FY38	FY39	FY40	FY41	FY42	FY43	FY44#
Revenue	662.1	717.7	777.9	839.9	906.6	977.7	1,057.5	1,134.6	1,219.7	1,314.5	515.7
Cash EBITDA	620.1	673.8	731.8	791.6	856.0	924.6	1,001.9	981.0	853.6	922.8	362.9
EBITDA Margins	*93.7%*	*93.9%*	*94.1%*	*94.3%*	*94.4%*	*94.6%*	*94.7%*	*86.5%*	*70.0%*	*70.2%*	*70.4%*
Less : Outflows											
Major Maintenance expenses	(3.2)	(3.3)	(50.0)	(3.7)	(3.9)	(4.1)	(22.1)	(4.5)	(67.0)	(4.9)	(1.9)
Change in MMRA	(4.6)	(27.9)	32.1	(0.1)	(1.9)	(10.8)	6.2	(37.4)	43.4	1.9	-
Interest on MMRA	0.2	1.2	1.0	0.1	0.1	0.5	0.7	1.6	1.4	0.1	-
Incremental Working Capital	-	-	-	-	-	-	-	-	-	-	8.6
CSR Expense	(7.7)	(8.9)	(10.1)	(11.5)	(12.8)	(14.3)	(15.8)	(16.9)	(16.6)	(16.4)	(12.8)
Taxation	(152.9)	(167.2)	(170.5)	(197.3)	(213.7)	(231.3)	(246.3)	(245.9)	(198.1)	(230.8)	(90.3)
Free Cash Flows (FCF)	**451.9**	**467.6**	**534.3**	**579.0**	**623.8**	**664.7**	**724.4**	**678.0**	**616.7**	**672.6**	**266.5**
Present Value Factor	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Present Value of Cash Flows	**176.4**	**168.4**	**177.5**	**177.5**	**176.4**	**173.4**	**174.3**	**150.5**	**126.3**	**127.1**	**47.6**

SECTION 8
VALUATION SUMMARY

VALUATION SUMMARY

Enterprise value of BDHPL:

- The derived enterprise value and equity value of BDHPL, based on the valuation approach and methodology as discussed herein, as on October 20, 2022, is as under :

Particulars	Amount (INR Cr)
Enterprise Value (EV)	3,654.2
Equity Value (EqV)	2,391.9

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